

## **BARREN RIVER AREA DEVELOPMENT DISTRICT**

### **FRAUD POLICY**

The Barren River Area Development District (BRADD) is establishing this fraud policy to facilitate the development of controls that will aid in the detection and prevention of fraud against the BRADD. It is the intent of BRADD to promote consistent ethical and organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations, in an effort to prevent fraudulent activity from occurring in all areas, especially financial reporting and maintenance of assets.

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, sub-contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with BRADD.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to BRADD.

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Internal fraud is categorized as activities perpetrated within the organization such as intentional misrepresentation of financial statements or financial statement transactions, theft, embezzlement, knowingly filing fraudulent time sheets or travel vouchers, or improper use of the organization's resources. External fraud involves theft or improper use of the organization's resources perpetrated by individuals outside the organization, such as false claims and statements and contract and procurement fraud. Each respective program director will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication or irregularity.

The Budget and Personnel Committee shall be made aware of their role to ensure the BRADD has adequate antifraud programs and controls in place to help prevent fraud and to properly fulfill their fiduciary duties of monitoring and oversight of the financial reporting process.

Any irregularity that is detected or suspected must be reported promptly to the employee's immediate supervisor and/or the BRADD Executive Director and the Board Chairman, who coordinates all investigations with the BRADD Budget and Personnel Committee.

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to

- Any dishonest or fraudulent act.
- Misappropriation of funds, securities, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of company knowledge.
- Disclosing confidential and proprietary information to outside parties.
- Accepting or seeking anything of material value from consultants, contractors, vendors, outside agency representatives, and/or persons providing services/materials to BRADD. Exception: Gifts less than \$20 in value; prizes received in random drawings.
- Destruction, removal, or inappropriate use of records furniture, fixtures, and equipment; and/or
- Any similar or related irregularity.

*Irregularities* concerning an employee's moral, ethical, or behavioral conduct are addressed in another policy and will be resolved by the Executive Director.

The Executive Director has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Executive Director will issue reports to the Budget and Personnel Committee and the Board Chairman.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and the Executive Director and Budget and Personnel Committee, as will final decisions on disposition of the case.

The Executive Director and Budget and Personnel Committee will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Executive Director immediately.

Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the BRADD from potential civil liability.

The Executive Director and the Chairman of the Budget and Personnel Committee, after consultation with a majority of Committee members, will have

- Free and unrestricted access to all BRADD records and premises, whether owned or rented; and
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.

An employee who discovers or suspects fraudulent activity *will contact his/her immediate supervisor and/or the Executive Director immediately*. If the Executive Director is suspected of fraudulent activity, the employee should contact the Chairman of the Budget and Personnel Committee immediately. The employee or other complainant shall remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Executive Director. No information concerning the status of an investigation will be given out. The proper response to any inquiries is, "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the

crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone, especially co-workers, unless specifically asked to do so by the Executive Director or the Chairman of the Budget and Personnel Committee.

If an investigation results in a recommendation to terminate the individual, the recommendation will be reviewed for approval by the Budget and Personnel Committee and, if necessary, by outside counsel, before such action is taken.

The Executive Director is responsible for the administration, interpretation, and application of this policy. The policy will be reviewed periodically by the Budget and Personnel Committee and any revision approved by the BRADD Board of Directors.

APPROVED:

Harold D. Garrett

CHAIRMAN, BRADD BOARD OF DIRECTORS

7/26/10

DATE

This policy was adopted by the Barren River Area Development District Board of Directors at its July 26, 2010 meeting.